

Assumptions Of Appendix

- Core deposit volume = \$90 million (\$2 million other liabilities excluded from core definition)
- Rates/overhead costs constant year to year
- Attrition (i.e., "estimated runoff") = 10% annually
- Expansion/attraction (i.e., "estimated attracted funds") = 12%
- Replacement costs: \$30 million 1 year wholesale CD funding @ 5.60%
- \$60 million overnight wholesale funding @ 5.00%
- weighted average cost = 5.20%
- Discount factor – premium over risk free rate = 3.25% estimated BB rated (on Standard & Poors scale) spread over equivalent duration U.S. treasury yield
- Estimated useful life of deposit base = 12 years

APPENDIX

| core deposit analysis | | current | | | | | | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Existing deposits \$ | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| demand | 13,000,000 | 13,300,000 | 15,606,000 | 15,918,120 | 16,236,482 | 16,561,212 | 16,892,436 | 17,230,285 | 17,576,891 | 17,926,389 | 18,284,916 | 18,650,615 | 19,023,627 |
| savings | 25,000,000 | 25,500,000 | 26,010,000 | 26,530,200 | 27,060,804 | 27,602,020 | 28,154,050 | 28,717,142 | 29,291,485 | 29,877,314 | 30,474,860 | 31,084,358 | 31,706,645 |
| now | 10,000,000 | 10,200,000 | 10,404,000 | 10,612,080 | 10,824,322 | 11,040,808 | 11,261,624 | 11,486,857 | 11,716,594 | 11,950,926 | 12,189,944 | 12,433,743 | 12,682,418 |
| 10M/A | 10,000,000 | 10,200,000 | 10,404,000 | 10,612,080 | 10,824,322 | 11,040,808 | 11,261,624 | 11,486,857 | 11,716,594 | 11,950,926 | 12,189,944 | 12,433,743 | 12,682,418 |
| time | 30,000,000 | 30,600,000 | 31,212,000 | 31,836,240 | 32,472,965 | 33,122,424 | 33,784,873 | 34,460,570 | 35,149,781 | 35,852,777 | 36,569,833 | 37,301,229 | 38,047,254 |
| total | 90,000,000 | 91,800,000 | 93,636,000 | 95,508,720 | 97,418,894 | 99,367,272 | 101,354,618 | 103,381,710 | 105,449,344 | 107,558,331 | 109,709,498 | 111,903,688 | 114,141,762 |
| Existing deposit rate % | | | | | | | | | | | | | |
| demand | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| savings | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% | 3.15% |
| now | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% | 1.95% |
| 10M/A | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% | 2.83% |
| time | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% | 4.79% |
| weighted average rate | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Deposit Overhead % | | | | | | | | | | | | | |
| demand | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| savings | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% | 1.80% |
| now | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% | 2.05% |
| 10M/A | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% |
| time | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| weighted average cost % | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% | 1.37% |
| estimated runoff | | | | | | | | | | | | | |
| demand | 1,500,000 | 1,530,000 | 1,560,600 | 1,591,812 | 1,623,648 | 1,656,121 | 1,689,244 | 1,723,029 | 1,757,489 | 1,792,639 | 1,828,492 | 1,865,061 | 1,902,354 |
| savings | 2,500,000 | 2,550,000 | 2,601,000 | 2,653,020 | 2,706,080 | 2,760,202 | 2,815,406 | 2,871,714 | 2,929,148 | 2,987,731 | 3,047,486 | 3,108,436 | 3,170,685 |
| now | 1,000,000 | 1,020,000 | 1,040,400 | 1,061,208 | 1,082,432 | 1,104,081 | 1,126,162 | 1,148,686 | 1,171,659 | 1,195,093 | 1,218,994 | 1,243,374 | 1,268,241 |
| 10M/A | 1,000,000 | 1,020,000 | 1,040,400 | 1,061,208 | 1,082,432 | 1,104,081 | 1,126,162 | 1,148,686 | 1,171,659 | 1,195,093 | 1,218,994 | 1,243,374 | 1,268,241 |
| time | 3,000,000 | 3,060,000 | 3,121,200 | 3,183,624 | 3,247,296 | 3,312,242 | 3,378,487 | 3,446,037 | 3,514,978 | 3,585,298 | 3,656,983 | 3,730,123 | 3,804,726 |
| total | 9,000,000 | 9,180,000 | 9,363,600 | 9,550,872 | 9,741,889 | 9,936,727 | 10,135,462 | 10,338,171 | 10,544,934 | 10,756,833 | 10,973,950 | 11,196,369 | 11,424,086 |
| estimated attracted funds | | | | | | | | | | | | | |
| demand | 1,800,000 | 1,836,000 | 1,872,720 | 1,910,174 | 1,948,378 | 1,987,345 | 2,027,092 | 2,067,634 | 2,108,987 | 2,151,167 | 2,194,190 | 2,238,074 | 2,282,829 |
| savings | 3,000,000 | 3,060,000 | 3,121,200 | 3,183,624 | 3,247,296 | 3,312,242 | 3,378,487 | 3,446,037 | 3,514,978 | 3,585,298 | 3,656,983 | 3,730,123 | 3,804,726 |
| now | 1,200,000 | 1,224,000 | 1,248,480 | 1,273,450 | 1,298,919 | 1,324,897 | 1,351,395 | 1,378,423 | 1,405,991 | 1,434,111 | 1,462,793 | 1,492,049 | 1,521,890 |
| 10M/A | 1,200,000 | 1,224,000 | 1,248,480 | 1,273,450 | 1,298,919 | 1,324,897 | 1,351,395 | 1,378,423 | 1,405,991 | 1,434,111 | 1,462,793 | 1,492,049 | 1,521,890 |
| time | 3,600,000 | 3,672,000 | 3,745,440 | 3,820,349 | 3,896,736 | 3,974,691 | 4,054,185 | 4,135,268 | 4,217,974 | 4,302,333 | 4,388,380 | 4,476,148 | 4,565,658 |
| total | 10,800,000 | 11,016,000 | 11,236,320 | 11,461,046 | 11,690,267 | 11,924,073 | 12,162,554 | 12,405,805 | 12,653,921 | 12,907,000 | 13,165,140 | 13,428,443 | 13,696,913 |
| Net deposit volume \$ | | 90,000,000 | 91,800,000 | 93,636,000 | 95,508,720 | 97,418,894 | 99,367,272 | 101,354,618 | 103,381,710 | 105,449,344 | 107,558,331 | 109,709,498 | 111,903,688 |
| Total cost % | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% | 4.38% |
| replacement cost analysis | | | | | | | | | | | | | |
| replacement volume \$ | 90,000,000 | 91,800,000 | 93,636,000 | 95,508,720 | 97,418,894 | 99,367,272 | 101,354,618 | 103,381,710 | 105,449,344 | 107,558,331 | 109,709,498 | 111,903,688 | 114,141,762 |
| total costs % | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% | 5.20% |
| Annual core deposit vya | | 742,360 | 757,350 | 772,497 | 787,947 | 803,706 | 819,780 | 836,176 | 852,899 | 869,937 | 887,356 | 905,103 | 923,203 |
| risk free rate | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| risk factor | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% |
| discount factor | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% | 8.25% |
| annual present value diff. | 685,912 | 699,630 | 713,466 | 727,414 | 741,478 | 755,654 | 769,940 | 784,336 | 798,841 | 813,454 | 828,175 | 843,003 | 857,937 |
| NET PRESENT VALUE | | 6,503,933 | | | | | | | | | | | |